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DE RUEHBK #3747/01 3590956
ZNR UUUUU ZZH
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FM AMEMBASSY BANGKOK
TO RUEHC/SECSTATE WASHDC IMMEDIATE 5501
INFO RUEHZS/ASSOCIATION OF SOUTHEAST ASIAN NATIONS IMMEDIATE
RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 6648
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 9312
RUEHLO/AMEMBASSY LONDON IMMEDIATE 1838
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 5171
RUEHKO/AMEMBASSY TOKYO IMMEDIATE 1279
RUEHCHI/AMCONSUL CHIANG MAI IMMEDIATE 6010
RUEAIIA/CIA WASHINGTON DC IMMEDIATE
RHHMUNA/CDR USPACOM HONOLULU HI IMMEDIATE
RUEATRS/DEPT OF TREASURY WASHINGTON DC IMMEDIATE
RUEHC/DEPT OF LABOR WASHDC IMMEDIATE
RUCPDO/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
RUEHRC/DEPT OF AGRICULTURE WASHINGTON DC IMMEDIATE

UNCLAS SECTION 01 OF 02 BANGKOK 003747

SENSITIVE
SIPDIS

STATE FOR EAP/MTS, EAP/RSP, EEB
STATE PASS TO USTR (WEISEL/BISBEE)
TREASURY FOR OASIA
COMMERCE FOR EAP/MAC/OKSA
SINGAPORE FOR FINATT BAKER

E.O. 12958: N/A

TAGS: [ECON](#) [EFIN](#) [ELAB](#) [ETRD](#) [PGOV](#) [TH](#)

SUBJECT: NEW FINANCE MINISTER TELLS AMBASSADOR WE MUST
FIGHT PROTECTIONISM IN A "NEW WORLD"

REF: A. BANGKOK 3746 (NEW ECONOMIC TEAM)
[1](#)B. BANGKOK 3712 (NEW THAI CABINET APPOINTED)
[1](#)C. BANGKOK 3648 (ABHISIT ELECTED)

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[1](#)1. (SBU) Summary: New Finance Minister Korn told the Ambassador in a courtesy call December 24 that he hopes both the U.S. and Thailand will avoid protectionism, which would erode the reservoir of goodwill that the incoming U.S. administration now enjoys internationally. Thailand avoided fallout from the collapse of the financial industry, Korn said, but is reeling from the worldwide recession in the real economy, where even Toyota is a risk. "It is a new world." Korn told the Ambassador that the Prime Minister will head a new Economic Cabinet that will provide "a guiding hand" to ministries lacking expertise in their leadership and coordinate all economic policy. Korn says he will consult closely with the private sector, including foreign companies, in policy formulation. The Ambassador raised several items of concern to U.S. companies, including labor unrest at the Ford factory. Korn said he would raise the issue with the Prime Minister later the same day. End Summary.

[1](#)2. (SBU) Comment: Finance Minister Korn is an impressive figure -- sharp on the range of economic issues and well-disposed toward the U.S. In contrast to criticisms levied against other members of Prime Minister Abhisit's new economic team, Korn appears very much capable and clearly eager to get down to the task at hand -- softening the effects of the global economic downturn on Thailand. We look forward to working closely with him. End Comment.

[1](#)2. (SBU) In response to the Ambassador's query whether the new government was feeling pressure from domestic interests to consider protectionist measures, newly appointed Finance Minister Korn Chatikavanij responded no. He said that he had met earlier in the day to hear the concerns of a large group of Thai business people and did not hear any appeals for protectionism. There is a common belief that

liberalization of the Thai market tends to benefit China, he noted, but, "our real concern is whether protectionism will rise in the U.S." Korn said that President-elect Obama enjoys a huge reservoir of goodwill internationally, but a shift toward protectionism in the U.S. would change that. Korn said he hopes that both sides will retain liberal attitudes toward economics and trade.

13. (SBU) The Ambassador asked Korn whether Thailand was facing the possibility of deflation as part of the economic crisis. The new Finance Minister said that, fortunately, Thailand had no asset price bubble burst and had avoided serious fallout from the financial industry meltdown. He observed that many of the problems now facing the U.S. were experienced by Thailand during the 1997 financial crisis. However, the downturn in the real economy is a serious challenge. "Suddenly even Toyota and Honda are risks. It's a new world."

14. (SBU) Korn told the Ambassador that his government can only be successful dealing with the economic crisis if it works closely with the private sector, "both foreign and Thai -- that's just the way it is." He said that he and his staff expect to spend a lot of time with businessmen to get their views on proposed policies before they are enacted. The Ambassador suggested that the "Meet the Minister" program, which lapsed in 2006, be revitalized, so that American business people can have the chance to provide input and build confidence in the Thai investment climate. Korn responded, "We should do that."

15. (SBU) Korn noted the serious economic challenges facing his government in the new year, as GDP growth is likely to be negative for the fourth quarter of 2008 and the first quarter

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of 2009, and overall growth for 2009 is expected to be between 0 and 2 percent. He said that his government is determined to re-build confidence. He noted that the government worked hard to get its policy program ready for presentation to the Parliament in record time. The Thai people will begin their first working day of the new year, he said, knowing exactly what their government's plan is to deal with the crisis. "The first three months will be critical."

16. (SBU) Tacitly acknowledging criticism of the appointment of "unqualified" appointees to other economic ministries, Korn said that because of the large group of seasoned politicians who have been banned by the courts from serving in the government, some coalition parties have had to rely on outside business people to fill their allocated cabinet posts. "But this could work better than the previous system," he argued, in which a Deputy Prime Minister would loosely oversee the economic ministries. Now the Prime Minister himself will head an "Economic Cabinet" which will meet Mondays ahead of the regular Tuesday cabinet meeting and coordinate economic policy-making. All decisions of the minister of commerce, for example, will have to first go through the Prime Minister who will provide "a guiding hand."

17. (SBU) The Ambassador raised a number of U.S. business community concerns, including recently increased excise taxes, our desire for an opening of the beef market, compulsory licenses, and labor relations. He noted in particular the puzzling difficulties that Ford is having with its labor force, where normal negotiations have broken down and workers are taking aggressive illegal actions such as closing the plant and neighboring public roads. Korn said he had spoken with both the Ford management and the labor unions and had urged them to talk, noting to the labor unions the particular difficulties that auto companies are having worldwide. Good labor relations have long been an attraction for foreign investors in Thailand, especially the Japanese car companies, which have a huge presence. He told the Ambassador he would raise the issue with the Prime Minister when he saw him later in the day.

18. (SBU) Korn acknowledged a number of other problems that he is wrestling with, including rising unemployment as export-oriented factories around Bangkok lay off workers, who then return to economically depressed rural areas in the Northeast. He hopes that agricultural support programs will help out, but "there will be suffering." Collapsing rubber and other commodity prices, and the sharp downturn in the tourism industry are also causing difficulties, particularly in the South.

JOHN